GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3274
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STRENGTHENING BALANCE SHEET OF REGIONAL RURAL BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India (RBI) has done any study regarding strengthening the balance sheets of Regional Rural Banks (RRBs);

(b) if so, the details thereof; and

(c) the steps taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance(Shri Pawan Kumar Bansal)

(a)and (b):- Reserve Bank of India (RBI) has from time to time set up Committees to make recommendations on various issues relating to Regional Rural Banks(RRBs), with a view to improve their performance. Some of the Committees constituted by RBI in the recent past are Dr. K.G. Karmakar Committee in July, 2007 to make recommendations on empowering RRB Boards for operational efficiency, Committee on Financial Sector Plan for North Eastern Region in July, 2005 to study the problems specific to RRBs in North Eastern Region and suggest measures to improve their performance and Report of the Internal Working Group on RRBs in May, 2005 on the restructuring of RRBs.

(c):- Government of India/Reserve Bank of India(RBI) and National Bank for Agriculture and Rural Development (NABARD) have taken a number of measures to improve the financial condition of Regional Rural Banks (RRBs) such as :-

(i) Amalgamation of RRBs for business consolidation, expansion etc.As a result of this 196 RRBs have been reduced to 92,as on date.The amalgamated RRBs will provide better customer service due to better infrastructure,computerization of branches, pooling of experienced work force, common publicity and marketing efforts etc.They will also reap benefits of a large area of operation and enhanced credit exposure limits.

(ii) Government has announced in the budget proposals for 2007-08 that RRBs having negative net worth will be recapitalized by the stakeholders as a measure to strengthen the RRBs, financially.

(iii) RRBs have been advised to cover the Uncovered Districts and aggressively undertake Branch expansion.

(iv) Enhancement of credit to Non-Priority Sector.

(v) Expansion of non-fund based business activities such as sale of insurance policies, disbursement of pension, salaries etc. and handling of government business to increase income generation.

(vi) Extension of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) to RRBs with a view to improve their recoveries.

(vii) Permitting RRBs to accept Foreign Currency Non-Residents (FCNR) Deposits.

(viii) Allowing consortium lending to RRBs.